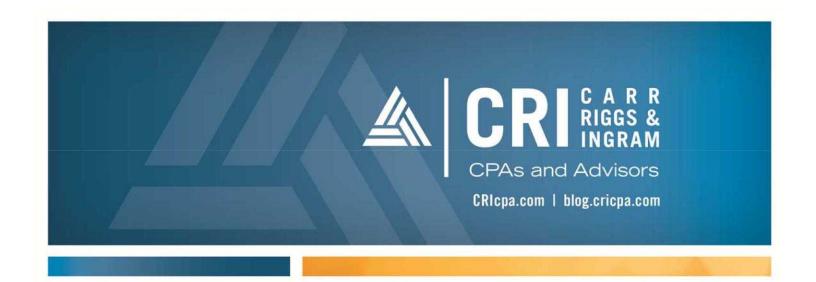
## Shreveport Charter Schools, Inc. Shreveport, Louisiana

Financial Statements June 30, 2014 and 2013



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#### INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Shreveport Charter Schools, Inc. Shreveport, Louisiana

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Shreveport Charter Schools, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shreveport Charter Schools, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Other Matters

Supplementary and Other Information

The Performance and Statistical Data on pages 23 to 33, are not a required part of the financial statements, but are supplementary information required by Louisiana State Law. We have applied certain limited procedures, which are described in the Independent Accountant's Report on Applying Agreed-Upon Procedures. However, we did not audit this information and, accordingly express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of Compensation Paid to the Board of Trustees is presented for the purpose of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014, on our consideration of Shreveport Charter Schools, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shreveport Charter Schools, Inc.'s internal control over financial reporting and compliance.

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**CARR, RIGGS & INGRAM, LLC** 

Shreveport, Louisiana December 30, 2014



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#### **Independent Accountant's Report on Applying Agreed-Upon Procedures**

To the Board of Trustees Shreveport Charter Schools, Inc. Shreveport, Louisiana

We have performed the procedures included in the Louisiana Governmental Audit Guide and enumerated below, which were agreed to by the management of Shreveport Charter Schools, Inc., the Louisiana Legislative Auditor, and the Louisiana Department of Education and/or Louisiana Board of Elementary and Secondary Education, as applicable, solely to assist the users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of Shreveport Charter Schools, Inc. and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education. Management of Shreveport Charter Schools, Inc. is responsible for its performance and statistical data. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Governmental Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings relate to the accompanying Schedules Required by Louisiana State Law (R.S 24:514 Performance and Statistical Data) included on pages 23 through 33. Our procedures and findings are as follows:

#### General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

- 1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
- Total General Fund Instructional Expenditures
- Total General Fund Equipment Expenditures
- Total Local Taxation Revenue
- Total Local Earnings on Investment in Real Property
- Total State Revenue in Lieu of Taxes
- Nonpublic Textbook Revenue
- Nonpublic Transportation Revenue

Findings: None

#### Education Levels of Public School Staff (Schedule 2)

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals and Full Time Classroom Teachers" (Schedule 4) to the combined total number of full time classroom teachers per this schedule and to school supporting payroll records as of October 1st.

Findings: Three full-time classroom teachers who were not employed at October 1, 2013, were included in the schedule. The schedule was revised to exclude teachers not employed at October 1st. Schedule 2 reflects the corrected number of full-time classroom teachers.

Corrective Action Taken: Teachers hired after Oct 1<sup>st</sup> will not be included on Schedule 2.

3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals and Full Time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.

Findings: None

4. We obtained a list of full time teachers, principals, and assistant principals by classification as of October 1st and as reported on the schedule. We traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's education level was properly classified on the schedule.

Findings: None

#### Number and Type of Public Schools (Schedule 3)

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

Findings: None

Experience of Public Principals, Assistant Principals and Full Time Classroom Teachers (Schedule 4)

6. We obtained a list of full time teachers, principals, and assistant principals by classification as of October 1st and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

Findings: The experience per the support for the schedule provided by the School did not agree to the individual's personnel file for one teacher selected causing her to be improperly classified on the schedule. The schedule was revised to properly classify the teachers according to their experience. Schedule 4 reflects the corrections made to the teacher classifications. Three full-time classroom teachers who were not employed at October 1, 2013, were included in the

schedule. The schedule was revised to exclude teachers not employed at October 1st. Schedule 4 reflects the corrected number of full-time classroom teachers.

Corrective Action Taken: The adjustment for the staff member in question has been adjusted.

#### Public School Staff Data (Schedule 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full time equivalents were properly included on the schedule.

Findings: Base salary per the schedule did not agree to support provided by the School. Extra compensation per the schedule did not agree to support provided by the School. The full time equivalent per the schedule did not agree to the individual's personnel files. The schedule was revised to include the correct base salary, extra compensation and full time equivalents for the teachers. Schedule 5 reflects the corrected base salary, extra compensation and full time equivalents.

Corrective Action Taken: A detailed earnings schedule was created to accommodate schedule 5 reporting.

8. We recalculated the average salaries and full time equivalents reported in the schedule.

Findings: None

#### Class Size Characteristics (Schedule 6)

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1st roll books for those classes and determined if the class was properly classified on the schedule.

Findings: School used student information systems data at the end of the school year to prepare this schedule. Eight classes selected for testing were not properly classified according to class size range on the schedule. However, none of the ten classes selected exceeded the maximum class size of 33 for grades 6-8.

Corrective Action Taken: In the future, we will obtain student information systems data as of October 1 to prepare the schedule.

#### Louisiana Educational Assessment Program (LEAP) (Schedule 7)

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the School.

Findings: None

#### Graduation Exit Examination (GEE) (Schedule 8)

11. Not applicable.

#### **ILEAP Test Results (Schedule 9)**

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the School.

Findings: None

We were not engaged to perform, and did not perform an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Board of Trustees, management of the School, the Louisiana Legislative Auditor, and the Louisiana Department of Education and/or the Louisiana State Board of Elementary and Secondary Education, as applicable, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

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**CARR, RIGGS & INGRAM, LLC** 

Shreveport, Louisiana December 30, 2014



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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees Shreveport Charter Schools, Inc. Shreveport, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Shreveport Charter Schools, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated December 30, 2014.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Shreveport Charter Schools, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shreveport Charter Schools, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Shreveport Charter Schools, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However,

providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

CA22, RIGGE : INGRAM, LLC

**CARR, RIGGS & INGRAM, LLC** 

Shreveport, Louisiana December 30, 2014



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### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Trustees Shreveport Charter Schools, Inc. Shreveport, Louisiana

#### Report on Compliance for Each Major Federal Program

We have audited Shreveport Charter Schools, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Shreveport Charter Schools, Inc.'s major federal programs for the year ended June 30, 2014. Shreveport Charter Schools, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Shreveport Charter Schools, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shreveport Charter Schools, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Shreveport Charter Schools, Inc.'s compliance.

#### **Opinion on Each Major Federal Program**

In our opinion, Shreveport Charter Schools, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

#### **Report on Internal Control Over Compliance**

Management of Shreveport Charter Schools, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Shreveport Charter Schools, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness Shreveport Charter Schools, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**CARR, RIGGS & INGRAM, LLC** 

CA22, RIGGE : INGRAM, LLC

Shreveport, Louisiana December 30, 2014

## **Shreveport Charter Schools, Inc. Statements of Financial Position**

June 30,	2014	2013
Assets		
Current assets		
Cash	\$ 617,020	\$ 931,691
Grants and other receivables	395,699	232,719
Prepaid expenses and other current assets	49,171	73,289
Total current assets	1,061,890	1,237,699
Property and equipment		
Furniture, fixtures and equipment	289,135	262,519
Less: accumulated depreciation	(116,566)	(74,888)
Net property and equipment	172,569	187,631
		t.
Total assets	\$ 1,234,459	\$ 1,425,330
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 39,096	\$ 53,428
Accrued expenses	356,908	510,022
Total current liabilities	396,004	563,450
Long-term liabilities	-	<b>*</b>
Total liabilities	396,004	563,450
Net assets		
Unrestricted	838,455	861,880
Temporarily restricted	#	<b>H</b>
Permanently restricted	-	
Total net assets	838,455	861,880
Total liabilities and net assets	\$ 1,234,459	\$ 1,425,330

## Shreveport Charter Schools, Inc. Statement of Activities

For year ended June 30, 2014	U	nrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue					
State public school funding	\$	4,805,406	\$ -	\$ -	\$ 4,805,406
Federal grants		593,104	=		593,104
Federal school lunch program		272,595	=	-	272,595
Other income		94,497	-	=	94,497
Total support and revenue		5,765,602	-	-	5,765,602
Expenses					
Program services					
Regular program expenditures		2,350,606	-	=	2,350,606
Special education programs		343,937	Ħ	Ĭ.	343,937
Other instructional programs		33,410	-	=	33,410
Pupil support services		174,895	-	-	174,895
Instructional staff services		203,803	-	-	203,803
School administration		1,015,912	-	-	1,015,912
Operation and maintenance of plant services		573,319	-	=	573,319
Student transportation services		421,887	-	=	421,887
Food service operations		266,925	-	=	266,925
Management and general					
Business services		348,559	-	=	348,559
General administration		54,336	=	=	54,336
Central services		1,438	=	=	1,438
Total expenses		5,789,027	₩	=	5,789,027
Change in net assets		(23,425)	-	-	(23,425)
Net assets, beginning of year		861,880	-	-	861,880
Net assets, end of year	\$	838,455	\$ -	\$ -	\$ 838,455

## Shreveport Charter Schools, Inc. Statement of Activities

For year ended June 30, 2013	U	nrestricted	Temporarily Restricted	Permanentl Restricted	У	Total	
Support and revenue							
State public school funding	\$	4,597,023	\$ -	\$ -	\$	4,597,023	
Federal grants		892,123	-			892,123	
Federal school lunch program		209,198	·=:	:=		209,198	
Other income		84,364		u <del>n</del>		84,364	
Total support and revenue		5,782,708		±5.		5,782,708	
Expenses							
Program services							
Regular program expenditures		2,457,113	-	-		2,457,113	
Special education programs		362,230	-	-		362,230	
Other instructional programs		27,560		=		27,560	
Pupil support services		166,083	-	-		166,083	
Instructional staff services		222,998		-		222,998	
School administration		1,067,882	-	**		1,067,882	
Operation and maintenance of plant services		525,120	(4)	-		525,120	
Student transportation services		419,117	-	-		419,117	
Food service operations		272,229	-	-		272,229	
Management and general							
Business services		216,370	-	-		216,370	
General administration		98,451	-	72		98,451	
Central services		2,275	12°	% <b>=</b>		2,275	
Total expenses		5,837,428	7	9 <del>2</del>		5,837,428	
Change in net assets		(54,720)	-	:=		(54,720)	
Net assets, beginning of year		916,600	841	24		916,600	
Net assets, end of year	\$	861,880	\$ -	\$ -	\$	861,880	

## Shreveport Charter Schools, Inc. Statements of Cash Flows

For the years ended June 30,	2014	2013
Cash flows from operating activities		
Change in net assets	\$ (23,425)	(54,720)
Adjustments to reconcile change in net assets to net cash		
provided by (used in) operating activities		
Depreciation	41,678	40,512
(Increase) decrease in		
Grants and other receivable	(162,980)	19,951
Prepaid expenses and other current assets	24,118	(22,557)
Increase (decrease) in		
Accounts payable	(14,332)	(73,466)
Accrued expenses	(153,114)	252,089
Net cash provided by (used in) operating activities	(288,055)	161,809
Cash flows from investing activities		
Purchase of property and equipment	(26,616)	(174,426)
Net cash used in investing activities	(26,616)	(174,426)
Net decrease in cash and cash equivalents	(314,671)	(12,617)
Cash - beginning of year	931,691	944,308
Cash - end of year	\$ 617,020 \$	931,691

#### NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Shreveport Charter School, Inc., charter holder for Linwood Public Charter School, a nonprofit organization, was incorporated on January 27, 2009. Effective December 22, 2011, Shreveport Charter School, Inc. changed its corporate name to Shreveport Charter Schools, Inc. (the School). The School is an educational institution servicing grades 6-8 for residents in Caddo Parish, Louisiana.

The Louisiana Board of Elementary and Secondary Education (BESE) approved the granting of a charter to the School effective July 1, 2009, for an initial term of three years. BESE extended the charter for an additional two year period. BESE has the option to terminate or revoke the charter at any time if the School fails to comply with certain terms of the agreement. The charter allows for a type 5 charter to be operated in the Louisiana Recovery School District, as defined in the LA R.S. 17:3992 and 3998. Upon completion of the School's fifth year of operation, the charter contract may be renewed at the discretion of BESE pursuant to the Evaluation Framework and applicable provisions of Title 17, Chapter 42 of the Louisiana Revised Statues.

The School entered into an education provider agreement with New Orleans Education Management, LLC, a Delaware limited liability company authorized to do business in the State of Louisiana, to provide management services for a period of five years, subject to renewal of the charter.

A summary of the School's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

#### **Financial Statement Presentation**

The School has adopted the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958 "Not-for-Profit Entities." Under FASB ASC 958, the School is required to report information regarding its financial position and activities based on the absence or existence of donor-imposed restrictions. Accordingly, net assets of the School and changes therein, may be classified and reported as follows, as financial circumstances require:

<u>Unrestricted net assets</u> - These are net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the governing board of the School for specific purposes.

<u>Temporarily restricted net assets</u> - Net assets subject to donor-imposed stipulations that may or will be met by actions of the School and/or the passage of time.

<u>Permanently restricted net assets</u> - Net assets subject to donor-imposed stipulations that they be maintained permanently by the School. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

#### **Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The financial statements of the School are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. All significant receivables, payables and other liabilities are reflected.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit balances and represent cash available for general operating purposes. The School classifies all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents. The School did not have any cash equivalents at June 30, 2014 or 2013.

Demand deposit balances, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The School also had securities pledged on any cash deposits not secured by the FDIC. At June 30, 2014, the School's deposits were fully insured.

#### Receivables

The receivables are stated at the amount management expects to collect from outstanding balances. The financial statements do not include an estimate for an allowance for doubtful accounts, as management believes all remaining receivables are fully collectible.

The School received various state and federal grants to fund programs and operations. The grants are on a reimbursement basis and grants receivable at the year-end are stated at unpaid balances for expenditures incurred during the year.

#### **Contribution and Revenue Recognition**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Revenues from federal and state grants are recorded when the School has a right to reimbursement under the grant, generally corresponding to the incurring of grant related costs by the School, or when earned under the terms of the grants. An accrual is made when eligible expenses are incurred.

The School's primary source of funding is through the Minimum Foundation Program (MFP) funded by the State Public School Fund.

#### **Property and Equipment**

All acquisitions of property and equipment and betterments that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized at cost. Contributed property and equipment is recorded at fair value at the date of donation. Normal building maintenance and minor equipment purchases are included as expenses of the School. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets (three to seven years). Assets purchased with public funds will revert to the Louisiana Board of Elementary and Secondary Education at the time this agreement is terminated. See Note 4.

#### **Income Taxes**

The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The School is also exempt from Louisiana state income taxes.

The School has adopted the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB ASC, which clarifies the accounting and recognition for income tax positions taken or expected to be taken in the School's income tax returns. Management evaluated the School's tax positions and concluded that they had taken no uncertain tax positions that required adjustments to the financial statements to comply with the provisions of this guidance. The School is not subject to income tax examinations by the U.S. federal, state, or local tax authorities for any tax years prior to 2010.

#### **Advertising Costs**

Advertising costs are charged to expense when incurred. Advertising expense totaled \$16,873 and \$17,259 for the years ended June 30, 2014 and 2013, respectively.

#### **Compensated Absences**

Salaried non-contracted employees are provided between 10 - 15 days of paid time off, and may carry over any unused time off into the next year at the rate of one-half of the employee's annualized accrual rate.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Subsequent Events

Subsequent to year-end, the School's charter contract with Louisiana Board of Elementary and Secondary Education was extended for an additional three year period ending June 30, 2017. For the school year 2014/2015, the School began serving kindergarten and first grade students.

Management has evaluated all subsequent events through December 30, 2014, the date which the financial statements were available to be issued.

#### **NOTE 2: CONCENTRATIONS**

The School received 84% and 80%, respectively, of its total revenues from the State of Louisiana, subject to its charter school contract with the State for the years ended June 30, 2014 and 2013.

#### NOTE 3: GRANTS AND OTHER RECEIVABLES

At June 30, 2014 and 2013, grants and other receivables totaled \$395,699 and \$232,719, respectively, which were primarily for federal and state grants primarily passed through the Louisiana Department of Education. The stated balances are considered fully collectible.

#### **NOTE 4: PROPERTY AND EQUIPMENT**

All assets are owned by the School while used for the purpose for which they were purchased. The Louisiana Department of Education, however, has a reversionary interest in these assets. Should the charter not be renewed, title in any assets purchased with those funds will transfer to the appropriate agency. Depreciation expense totaled \$41,678 and \$40,512, respectively, for the years ended June 30, 2014 and 2013.

Effective July 1, 2009, the School entered into an agreement with the BESE, which allows the School to use the facilities and its contents located at 401 West 70<sup>th</sup> Street, Shreveport, Louisiana 71106. The agreement expired on June 30, 2012, and BESE granted an extension for an additional two years ending June 30, 2014, and for an additional three years ending June 30, 2017.

Alterations made by the School shall not diminish the value of the property at the time the alterations are approved. Any physical additions or improvements to the property will become property of the BESE. BESE may require the School, at its expense, to remove these physical additions or improvements. Non-capital assets acquired by the School with non-public funds will remain the property of the School. Assets purchased with public funds obtained from public sources will automatically revert to BESE at the time this agreement is terminated. The School must maintain records of any assets acquired with private funds that will remain the property of the School.

The School is responsible for all necessary maintenance to ensure that the facilities comply with all state and local health and safety standards and other applicable laws, regulations and rules.

Use of the property is not recorded as an in-kind contribution from or related rent expense to BESE. The value of the use of land and the building is not readily determinable. The agreement is classified as an exchange transaction because both parties receive significant value from this arrangement. Accordingly, the present value of the benefit to be received in the future years has not been recorded.

#### NOTE 5: RISK MANAGEMENT

The School is exposed to various risks of loss from torts; thefts of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the period ended June 30, 2014.



# Shreveport Charter Schools, Inc. Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Federal Expenditures	
<u>United States Department of Education</u> Passed through Louisiana Department of Education				
Title I Grants to Local Educational Agencies - Part A	84.010	S010A130018	\$	448,227
Improving Teacher Quality State Grants	84.367	S367A130017		39,402
Special Education - Grants to States	84.027	H027A130033		94,215
Race to the Top	84.413	B413A120002		11,260
<u>United States Department of Agriculture</u> Passed through Louisiana Department of Education  National School Lunch Program	10.555	N/A		272,595
		000 a <b>₹</b> 00000	\$	865,699

## Shreveport Charter Schools, Inc. Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2014

#### **NOTE 1: GENERAL**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Shreveport Charter Schools, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

#### NOTE 2:- RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

# Shreveport Charter Schools, Inc. Schedule of Compensation Paid to the Board of Trustees For the Year Ended June 30, 2014

#### **Board Member**

Gard Wayt David Barr Travis Morehart Willie Phillips Willie Caldwell Aaron Dobynes Roy Thomas

There was no compensation paid to Board of Trustees for the year ended June 30, 2014.

Shreveport Charter Schools, Inc.
Schedules Required by Louisiana State Law
(R.S. 24:514 - Performance and Statistical Data)
As of and for the Year Ended June 30, 2014

#### Schedule 1 – General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes and nonpublic textbook and transportation revenue. This data is used either in the Minimum Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

#### Schedule 2 – Education Levels of Public School Staff

This schedule includes the certificated and uncertificated number and percentage of full time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's; Bachelor's; Master's +30; Specialist in Education; and Ph. D. or Ed. D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

#### Schedule 3 - Number and Type of Public Schools

This schedule includes the number of elementary, middle/junior high, secondary and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

#### <u>Schedule 4 – Experience of Public Principals, Assistant Principals and Full Time Classroom Teachers</u>

This schedule includes the number of years of experience in teaching for principals, assistant principals and full time teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report.

#### Schedule 5 – Public School Staff Data: Average Salaries

This schedule includes average classroom teachers' salary using full time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report.

#### Schedule 6 - Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students. This data is currently reported to the Legislature in the Annual School Report.

Shreveport Charter Schools, Inc.
Schedules Required by Louisiana State Law
(R.S. 24:514 - Performance and Statistical Data)
As of and for the Year Ended June 30, 2014

#### Schedule 7 - Louisiana Educational Assessment Program (LEAP)

This schedule represents student performance testing data and includes summary scores by district for grades 4 and 8 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

#### Schedule 8 – Graduation Exit Exam (GEE)

Not Applicable

#### Schedule 9 - iLEAP Tests

This schedule represents student performance testing data and includes a summary score for grades 3, 5, 6, 7 and 9 for each district. The summary score reported is the Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the entire nation. This schedule includes three years of data.

#### Shreveport Charter Schools, Inc.

## General Fund Instructional and Support Expenditures and Certain Local Revenue Sources For the Year Ended June 30, 2014 Schedule 1

		,	Jeneaule .
General Fund Instructional and Equipment Expenditures			
General Fund Instructional Expenditures			
Teacher and Student Interaction Activities			
Classroom Teacher Salaries	\$ 1,011,572		
Other Instructional Staff Activities	212,043		
Instructional Staff Employee Benefits	226,275		
Purchased Professional and Technical Services	667,397		
Instructional Materials and Supplies	255,084		
Instructional Equipment	16,098		
Total Teacher and Student Interaction Activities		2.	2,388,469
Other Instructional Activities			980
Pupil Support Services	174,143		
Less: Equipment for Pupil Support Services	<b>1</b>		
Net Pupil Support Services			174,143
Instructional Staff Services	200,251		
Less: Equipment for Instructional Staff Services	=		
Net Instructional Staff Services			200,251
School Administration	908,652		
Less: Equipment for School Administration	10,517		
Net School Administration			919,169
Total General Fund Instructional Expenditures		\$ 3	3,683,012
Total General Fund Equipment Expenditures		\$	26,616
Certain Local Revenue Sources			
Local Taxation Revenue			
Constitutional Ad Valorem Taxes			<b>=</b> 0
Renewable Ad Valorem Tax			=0
Debt Service Ad Valorem Tax			-
Up to 1% of Collections by the Sheriff on Taxes Other Than School Taxes			=:
Sales and Use Taxes			_
Total Local Taxation Revenue			=
Local Earnings on Investment in Real Property:			
Earnings from the 16th Section Property			<b>#</b> 0
Earnings from Other Real Property			-
Total Local Earnings on Investment in Real Property			
State Revenue in Lieu of Taxes			
Revenue Sharing - Constitutional Tax			<b></b>
Revenue Sharing - Other Taxes			<b>=</b>
Revenue Sharing - Excess Portion			-
Other Revenue in Lieu of Taxes			-
Total State Revenue in Lieu of Taxes			
Nonpublic Textbook Revenue			= 0
Nonpublic Transportation Revenue			
Tonpasio transportation nevenue			

# Shreveport Charter Schools, Inc. Education Levels of Public School Staff As of October 1, 2013 Schedule 2

	Principals & Assistant Principals							
	Certif	icated	Uncertificated		Certificated		Uncertificated	
Category	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	0	0%	0	0%	0	0%	0	0%
Bachelor's Degree	15	56%	1	100%	2	50%	0	0%
Master's Degree	6	22%	0	0%	2	50%	0	0%
Master's Degree +30	5	19%	0	0%	0	0%	0	0%
Specialist in Education	0	0%	0	0%	0	0%	0	0%
Ph. D. or Ed. D.	1	3%	0	0%	0	0%	0	0%
Total	27	100%	1	100%	4	100%	0	0%

Shreveport Charter Schools, Inc.
Number and Type of Public Schools
For the Year Ended June 30, 2014
Schedule 3

Туре	Number
Elementary	0
Middle/Jr. High	1
Secondary	0
Combination	0
Total	1

Shreveport Charter Schools, Inc.
Experience of Public Principals, Assistant Principals and Full Time Classroom Teachers
As of October 1, 2013
Schedule 4

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
Assistant Principals	0	0	1	2	0	0	0	3
Principals	0	0	0	0	1	0	0	1
Classroom Teachers	3	2	5	5	3	3	7	28
Total	3	2	6	7	4	3	7	32

# Shreveport Charter Schools, Inc. Public School Staff Data: Average Salaries For the Year Ended June 30, 2014 Schedule 5

	Classroom Teachers Exclu ROTC, Rehired Retirees, and All Classroom Teachers Salary Reductions		
Average Classroom Teachers' Salary Including Extra Compensation	\$ 48,640	.86 \$ 48,640.86	
Average Classroom Teachers' Salary Excluding Extra Compensation	\$ 44,933	.58 \$ 44,933.58	
Number of Teacher Full Time Equivalents (FTEs) used in Computation of Average Salaries	2	3.79 23.79	

Shreveport Charter Schools, Inc. Class Size Characteristics As of October 1, 2013 Schedule 6

	Class Size Range									
	1 -	1 - 20		21 - 26 27 - 33			34	1+		
School Type	Percent	Number	Percent	Number	Percent	Number	Percent	Number		
Middle/Jr. High	22%	36	38%	62	37%	59	3%	5		
Middle/Jr. High Activity Classes	0%	0	42%	8	53%	10	5%	1		

# Shreveport Charter Schools, Inc. Louisiana Educational Assessment Program (LEAP) For the Year Ended June 30, 2014 Schedule 7

District Achievement Level	English Lan	guage Arts	English Lar	guage Arts	English Lar	nguage Arts	Mathe	matics	Mathe	matics	Mathe	ematics
Results	20	14	20	13	20	12	20	14	20	13	20	12
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 8												
Advanced	0	0%	0	0%	0	0%	0	0%	0	0%	2	1%
Mastery	6	4%	7	5%	11	8%	1	1%	2	2%	4	3%
Basic	51	33%	50	38%	62	44%	35	22%	59	44%	68	49%
Approaching basic	77	50%	61	46%	57	40%	57	37%	39	29%	47	33%
Unsatisfactory	21	13%	15	11%	11	8%	62	40%	33	25%	20	14%
Total	155	100%	133	100%	141	100%	155	100%	133	100%	141	100%

District Achievement Level	Scie	ence	Scie	ence	Scie	ence	Social:	Studies	Social S	Studies	Social :	Studies
Results	2014		2013		2012		2014		2013		2012	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 8									111			
Advanced	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Mastery	5	3%	1	1%	8	6%	2	1%	0	0%	3	2%
Basic	32	21%	41	31%	30	21%	46	30%	49	37%	57	40%
Approaching basic	78	50%	57	43%	71	50%	64	41%	49	37%	42	30%
Unsatisfactory	40	26%	34	25%	32	23%	43	28%	34	26%	39	28%
Total	155	100%	133	100%	141	100%	155	100%	132	100%	141	100%

#### Shreveport Charter Schools, Inc. iLEAP Test Results For the Year Ended June 30, 2014 Schedule 9

District Achievement	English Language Arts		Mathe	Mathematics		nce	Social Studies		
Level Results	2014		20	2014		2014		2014	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
Grade 6									
Advanced	0	0%	0	0%	0	0%	0	0%	
Mastery	5	4%	3	2%	0	0%	1	1%	
Basic	43	32%	61	45%	37	28%	48	36%	
Approaching basic	41	30%	34	25%	53	39%	54	40%	
Unsatisfactory	46	34%	37	28%	44	33%	31	23%	
Total	135	100%	135	100%	134	100%	134	100%	

District Achievement	English Language Arts		Mathe	Mathematics		nce	Social Studies		
Level Results	2013		20	2013		2013		2013	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
Grade 6									
Advanced	0	0%	0	0%	0	0%	1	1%	
Mastery	3	2%	4	3%	1	1%	6	4%	
Basic	46	30%	62	41%	42	27%	36	24%	
Approaching basic	53	35%	39	25%	70	46%	57	37%	
Unsatisfactory	51	33%	48	31%	40	26%	53	34%	
Total	153	100%	153	100%	153	100%	153	100%	

District Achievement	English Language Arts		Mathe	Mathematics		Science		Social Studies	
Level Results	2012		20	2012		2012		2012	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
Grade 6									
Advanced	0	0%	0	0%	0	0%	0	0%	
Mastery	5	4%	2	2%	1	1%	0	0%	
Basic	36	29%	47	37%	32	25%	27	22%	
Approaching basic	45	36%	32	26%	61	49%	46	37%	
Unsatisfactory	39	31%	44	35%	31	25%	52	41%	
Total	125	100%	125	100%	125	100%	125	100%	

(Continued)

#### Shreveport Charter Schools, Inc. iLEAP Test Results For the Year Ended June 30, 2014 Schedule 9 (continued)

District Achievement	English Language Arts		Mathe	Mathematics		nce	Social Studies		
Level Results		2014	20	2014		2014		2014	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
Grade 7									
Advanced	0	0%	1	0%	0	0%	0	0%	
Mastery	9	5%	6	4%	4	2%	3	2%	
Basic	53	32%	66	40%	44	27%	40	24%	
Approaching basic	79	48%	38	23%	75	45%	78	47%	
Unsatisfactory	24	15%	54	33%	42	26%	44	27%	
Total	165	100%	165	100%	165	100%	165	100%	

District Achievement	English Language Arts		Mathe	Mathematics		Science		Social Studies	
Level Results	2013		20	2013		2013		2013	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
Grade 7									
Advanced	3	2%	1	0%	0	0%	1	1%	
Mastery	5	3%	3	2%	2	1%	2	1%	
Basic	44	27%	55	33%	42	26%	51	31%	
Approaching basic	82	49%	51	31%	70	43%	45	28%	
Unsatisfactory	32	19%	56	34%	48	30%	63	39%	
Total	166	100%	166	100%	162	100%	162	100%	

District Achievement	English Language Arts		Mathe	Mathematics		Science		Studies	
Level Results		2012	20	2012		2012		2012	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
Grade 7	50					3		Ca	
Advanced	1	1%	1	1%	0	0%	0	0%	
Mastery	5	3%	5	3%	4	2%	2	1%	
Basic	44	27%	50	30%	29	18%	36	22%	
Approaching basic	75	45%	55	34%	76	47%	70	43%	
Unsatisfactory	39	24%	52	32%	54	33%	55	34%	
Total	164	100%	163	100%	163	100%	163	100%	

# Shreveport Charter Schools, Inc. Schedule of Findings and Questioned Costs June 30, 2014

#### Section I – Summary of Auditor's Results

None

Financial Statements Type of auditor's report issued:	Inmodified				
Compliance and internal control over financial reporting: Significant deficiency(ies) identified? Material weakness(es) identified? Noncompliance material to financial statements noted?					
Federal Awards Internal control over major programs: Significant deficiency(ies) identified? Material weakness(es) identified?	No No				
Type of auditor's report issued on compliance for major programs: Unmo					
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?					
Identification of major programs:					
CFDA Number Name of Program or Cluster	<u> </u>				
84.010 Title I Grants to Local Educational Agencies					
Dollar threshold used to distinguish between Type A and Type B programs: Auditee qualified as low-risk auditee?	\$300,000 Yes				
Section II – Financial Statement Findings Reported in Accordance with Government Standards	nental Auditing				
Current Year Findings and Responses					
None					
Section III – Federal Award Findings and Questioned Costs					
None					
Prior Year Findings					